

# NORTHEAST BANK

## RISK MANAGEMENT COMMITTEE CHARTER

### I. General Statement of Purpose

This Charter addresses the composition and independence, principal responsibilities, and operating guidelines of the Risk Management Committee of the Board of Directors (the “Risk Committee” or “Committee”) of Northeast Bank (the “Bank”).

The purposes of the Risk Committee are to:

- Approve the Bank’s levels of risk tolerance and related metrics on a comprehensive, enterprise-wide basis, as well as identify and monitor key Bank risks individually, approve levels of risk tolerance for each, and evaluate the effectiveness of the management thereof;
- Approve operating policies that establish the appropriate approval levels for decisions and other checks and balances to manage various categories of risk;
- Review the Bank’s actual risk profile (on an enterprise-wide and risk category basis) against approved risk metrics and determining whether policies are in place and functioning to manage the categories of risk to which the Bank is exposed, including interest rate, operational, cybersecurity, liquidity, credit, compliance, and strategic risks; and
- Provide a forum for consideration and discussion of trends and emerging risks, both on an enterprise-wide basis as well as on a risk-by-risk basis.

### II. Composition and Independence; Experience and Authority

The Board of Directors has determined that the Risk Management Committee shall be established and operated so as to assure that it functions with the highest practicable degree of independence. Accordingly:

- The Committee is composed entirely of independent directors;
- The Committee meets regularly without management present as needed; and
- The Committee has the authority to engage independent advisors, paid for by the Bank, to help it make the best possible decisions on risk management.

The Committee shall be composed of members of the Board of Directors in such number as is determined by the Board with regard to the by-laws of the Bank, applicable laws, rules and regulations and any other relevant consideration.

No member of the Committee may be an officer or retired officer of the Bank. Every member of the Committee shall be “independent” of the Bank as determined by the Board of Directors, taking into account standards of “independence” established under laws, regulations

and governmental policies applicable to the Bank.

The members of the Committee shall be appointed by the Board, upon recommendation of the Nominating and Corporate Governance Committee, and shall serve until their successors are appointed. A Chairperson will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee, failing which the members of the Committee may designate a Chairperson by majority vote. The Committee may from time to time delegate to its Chairperson certain powers or responsibilities that the Committee itself may have hereunder.

All members of the Committee should have an understanding of issues related to risk management or related business experience, or be willing and able to acquire the necessary knowledge quickly. Committee members may enhance their familiarity with risk management issues by participating in educational programs conducted or arranged by the Bank or the Committee, or by conferring with an outside consultant approved by the Committee.

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Bank appropriate to fulfilling its responsibilities, including, without limitation, the Bank's outside auditor. The Committee may also obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties and may retain and determine the compensation to be paid by the Bank for such independent counsel or outside advisor in its sole discretion without seeking Board approval.

### **III. Meetings**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee shall meet with the Chief Risk Officer, or person designated by the Chief Executive Officer, of the Bank at each regularly-scheduled meeting, and other selected members of management as considered necessary by the Committee, to discuss any matters that the Committee believes should be discussed privately, and shall meet jointly with the Audit Committee to review and discuss the results of federal or state bank regulatory examinations of the Bank. The Committee may also meet with the Bank's auditors from time to time as determined by the Committee.

To facilitate open communication between this Committee and the Audit Committee, in the event that the Chair of the Audit Committee is not a member of this Committee, he or she shall receive notice of and attend by invitation of this Committee, as a non-voting observer, each meeting of this Committee and receive the materials for each such meeting.

All non-management directors that are not members of the Committee have a standing invitation to attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons including directors it deems appropriate in order to carry out its responsibilities.

### **IV. Duties and Responsibilities**

To fulfill its responsibilities and duties the Committee shall satisfy itself that sound

policies, procedures and practices are implemented for the management of key risks under the Bank's risk framework, which includes interest rate, operational, cybersecurity, liquidity, credit, compliance, and strategic risks. More specifically, the Committee shall:

***Risk Tolerance, Risk Identification and Monitoring***

1. Review and approve the Bank's risk tolerance guidelines and risk tolerance governance framework at least annually and on the recommendation of the Chief Risk Officer, or person designated by the Chief Executive Officer.
2. Review the Bank's actual risk profile against its risk tolerance as well as any exceptions to risk tolerance metrics as reported by senior management.
3. Review the Chief Risk Officer's, or person designated by the Chief Executive Officer, annual assessment of the Bank's performance against the enterprise risk tolerance guidelines, which, among other things, may be used as input for the Compensation Committee in determining incentive compensation.
4. Receive presentations and other information to understand the significant and emerging risks to which the Bank is exposed. This may include, by way of example, reviewing on an annual basis any management reports on enterprise-wide credit, investment or asset liability stress testing results, and identifying material risks and emerging risk issues and trends.
5. Review with management the Bank's policies and procedures on risk identification and monitoring, including the Bank's internal capital adequacy assessment process and emerging risk identification, as well as the Bank's risk of non-compliance with any specific operating conditions (including requirements relating to capital ratios, core deposit ratios, concentrations of credits, asset diversification, growth restrictions, etc.) imposed by regulatory authorities. Approve, where appropriate, policies developed and implemented to measure the Bank's risk exposures and for identifying, evaluating and managing the significant risks to which the Bank is exposed, and review such policies and procedures, at least once a year to satisfy itself that they remain appropriate and prudent.
6. Review, on a regular basis, the Bank's risk management performance and obtain, on a regular basis, reasonable assurance that the Bank's risk management policies for significant risks are being adhered to.
7. Review the amount, nature, characteristics, concentration and quality of the Bank's credit portfolio, as well as all significant exposures to credit risk through reports on significant credit exposures presented to the Committee and review of exceptions to risk principles, if any, and trends in portfolio quality (credit and position risk), market risk, liquidity risk, economic trends and other risk information.
8. Review and approve significant risk management policies and procedures recommended by the Bank's management, and review periodically, but at least once a year, the management programs related thereto to oversee compliance with such policies and procedures. Specifically, the Committee shall have the primary responsibility for reviewing risk policies related to the following:
  - (a) insurance risk (mitigation)

- (b) compliance risk
- (c) reputational risk
- (d) operational risk
- (e) cybersecurity risk

9. Incidental to the Committee's overall responsibility for risk policies and procedures, the Committee may request reports from auditors on, and consider compliance with, internal control policies and the effectiveness of internal control procedures. In addition, the Committee shall periodically monitor the independent assessment by the Bank's internal auditor of significant risk-related issues, including any arising from any continuous audit process relating to risk issues.

10. Review and approve any other matters required by the Federal Deposit Insurance Corporation or the Superintendent of Banks of the State of Maine, as well as other relevant regulators from time to time.

### ***Risk Management Governance and Oversight***

The Committee shall oversee the risk management function of the Bank, including reviewing and approving the performance of the Chief Risk Officer, or person designated by the Chief Executive Officer, at least annually. The Committee shall satisfy itself that the Chief Risk Officer, or person designated by the Chief Executive Officer, has adequate resources and independence to perform his or her responsibilities. In addition, the Committee shall:

- Review and approve, at least annually, the risk management work plan, including assessing the adequacy of the plan;
- Confirm the appointment and dismissal of the Chief Risk Officer of the Bank;
- At least annually assess the effectiveness of the risk management function;
- Annually convey its view of the performance of the Chief Risk Officer, or person designated by the Chief Executive Officer, to the Chief Executive Officer of the Bank as input into the compensation approval process;
- Review regular reports prepared by the Chief Risk Officer, or person designated by the Chief Executive Officer, together with management's response and follow-up on outstanding issues, as necessary; and
- Provide a forum for the Chief Risk Officer, or person designated by the Chief Executive Officer, to raise any risk issues or issues with respect to the relationship and interaction between Risk Management and senior management of the Bank, internal auditor, the Bank's outside auditor and/or regulators.

### ***General***

The Committee shall have the following additional general duties and responsibilities:

- Review and assess the adequacy of this Charter at least annually and submit this Charter to the Nominating and Corporate Governance Committee and the Board for approval upon amendment.
- From time to time and as needed, Committee members will participate in educational sessions to enhance their familiarity with risk-related issues.
- Conduct an annual evaluation of the Committee to assess its contribution and effectiveness in fulfilling its mandate.
- Perform such other functions and tasks as may be mandated by regulatory requirements applicable to risk management committees or delegated by the Board.
- Review significant pronouncements and changes to key regulatory requirements relating to the risk management area to the extent they apply to the Bank.
- Report to the Board on material matters arising at Risk Committee meetings following each meeting of the Committee. Report, as required, to the Audit Committee on issues of relevance to them.
- Maintain minutes or other records of meetings and activities of the Committee.